



# Newly Independent States of the Former Soviet Union

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Over five years have passed since the collapse of the Soviet Union. However, war in Chechnya, the rise of organized crime, uprisings in various former republics, the emergence of counter-privatization interests, and the growth in influence of communist elements illustrate that the democratic revolution that ensued after the collapse of the Soviet Union is still quite fragile. Beyond political instability, investors in the Former Soviet Union face problems of limited availability of financing capital and cultural and communications barriers. Furthermore, there has been a rather slow emergence of the rule of law.

All of the above-mentioned factors have conspired to complicate the investment environment in the Former Soviet Union. Nevertheless, despite the plethora of difficulties faced by investors, there are those who are interested in braving these new investment frontiers. Such interest is fueled, in part, by the availability of relatively untapped markets of consumers and the existence of substantial amounts of undeveloped natural resources.

Although investment interest in the Former Soviet Union exists, it has declined somewhat. In order for foreign, and domestic, investment to reach their full potential a number of prerequisites must be met. There must exist predictability within the legal system, political stability, favorable economic conditions, and legislation supportive of a market economy.

The year 1996 has seen modifications to existing laws, the introduction of new legislation, new trade agreements, and many business and social developments in the Former Soviet Union. While all of the Newly Independent States are important to a discussion of developments in the Former Soviet Union, most of the available information, and interest, lie with Russia. Thus, the focus of this review<sup>1</sup> of significant developments in 1996 will be weighted slightly in favor of Russia. However, there will also be some discussion of relevant developments in the other former republics. Nevertheless, due to the volume of legislative and regulatory activity in the Former Soviet Union, this report is by no means exhaustive.

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1. Much of the legislation referred to in this review is available, in translated form, on LEXIS in the INTLAW Library, in the RUSLEG or EELEG files.

## I. Developments in Russia

### A. LAW ON PRODUCTION-SHARING AGREEMENTS<sup>2</sup>

Production-sharing agreements allow the investor to give the state a fixed portion of production (gas or oil) instead of taxes and other fees. An effective production-sharing law allows the investor to avoid payment of taxes on profits, payments for use of the subsoil, land, and other natural resources, and mandatory payments for social and medical insurance.

The eagerly awaited "Law on Production-Sharing Agreements" was signed by Russian President Boris Yeltsin on December 30, 1995.<sup>3</sup> However, the law has left many foreign investors unimpressed. The expectation had been that such a law would aid in the development of Russia's natural gas and oil resources and, thereby, bolster the Russian economy. However, difficulties with the current tax regime, complicated formalities for concluding production-sharing agreements, provisions of customs and export/import exemptions, and the problems with the law "On Subsoil" have undermined the law's potential. The following are some highlights of provisions of the legislation:

- A production-sharing agreement must contain the terms and methods of production sharing between the state and the investor. All such conditions must comply with the law "On Subsoil."
- An investor must guarantee that Russian enterprises will be involved in works conducted under the agreement and that such enterprises have a preemptive right to contract work under the agreement and that a certain amount of technological equipment used for mineral extraction and processing must be produced in Russia.
- An investor cannot be forced to conduct activities which are not provided for in the law. For example, the investor has the right to export the goods from the customs territory of the Russian Federation without any restrictions.
- A production-sharing agreement has priority over a license giving the right to use the subsoil.
- The "Operator under the Agreement" concept is introduced. It is the operator, not the investor, who, under the law, is able to conduct all work and is exempt from payment of a VAT and excise taxes. The investor is liable to the state for the actions of the operator.
- The law contemplates that if the legislature establishes conditions which negatively affect the investor's activity, the agreement will be amended to include conditions which allow the investor to receive the same commercial results as he would have received according to the laws which were in force at the time of entry into the agreement. This does not apply if the legislation is amended to change standards of safety, protection of subsoil, protection of the environment, or protection of public health.

### B. LAW ON THE SECURITIES MARKET

The Commission on Securities and Exchanges will, pursuant to the new law "On Securities and Exchanges," oversee a reporting and disclosure system in Russia which is very much like

2. The basis of this discussion of the Law on Production-Sharing Agreements is derived, in part, from an article by Mikhail Y. Galyatin entitled "A Hazy Future for the Law on Production-Sharing Agreements" as published in the JOURNAL OF THE NEWLY INDEPENDENT STATES OF THE FORMER SOVIET UNION LAW COMMITTEE, ABA Section of International Law and Practice, Vol 1, Issue 2, Fall 1996. Mr. Galyatin is an associate in the Moscow office of Patterson, Belknap, Webb & Tyler, LLP.

3. The "Law on Production-Sharing Agreements" was approved by the Federation Council on December 19, 1995, and signed by President Boris Yeltsin on December 30, 1995, *Rossiiskaya Gazeta*, January 11, 1996, at 3.

that of the United States. Furthermore, Article 51 of the new law provides for civil liability for failure to comply with the securities law.

C. *IBJ SCHRODER BANK & TRUST COMPANY V. BANK FOR FOREIGN ECONOMIC AFFAIRS OF THE USSR*<sup>4</sup>

On September 10, 1996, Justice David B. Saxe of the Supreme Court of New York County ruled that the Bank for Foreign Economic Affairs of the USSR, which is wholly owned by the Russian Federation, cannot claim immunity from paying debts owed to a U.S. corporation that is an assignee of the original creditor.<sup>5</sup> In so holding, the Court rejected the Russian Government's claim that the bank could use the Foreign Sovereign Immunities Act to avoid paying the debt.

D. CHECHNYA

On August 22, 1996, after twenty months of war that took the lives of over 50,000 people, Aleksandr I. Lebed, the Russian security chief, and Aslan Maskhadov, his Chechen counterpart, signed a detailed peace agreement.<sup>6</sup> Although the optimism was fairly cautious at the time, the peace plan seems to be progressing ahead of schedule. The last Russian combat units withdrew from Chechnya on Sunday, December 29, 1996, well ahead of schedule.<sup>7</sup> The completion of the withdrawal was initially scheduled for January 27, 1997, the date for which the Chechen elections were scheduled.<sup>8</sup>

E. ADDITIONAL DEVELOPMENTS

In addition to the information discussed above, the following developments occurred in 1996:

- State Customs Committee of the Russian Federation Directive of August 30, 1996, No. 01-14/892, "On the according of privileges on the payment of import customs duties with regard to goods imported as a contribution to charter (stock) capital."<sup>9</sup>
- Russia's Federal Securities Commission announced, on November 5, 1996, that it will establish a group of securities issuers, participants in the securities market, and government agencies who will work to establish a central depository for corporate securities.
- Regulation No. 19, issued by Russia's Federal Securities Commission, establishes standards for securities emissions and for prospectuses.
- Instruction No. 43,<sup>10</sup> which took effect as of September 2, 1996, implements recent amendments to the law "On excise tax."<sup>11</sup> This Instruction introduced new concepts such as anti-avoidance points and clarified and simplified the previous enactment.

4. *IBJ Schroder Bank & Trust Company v. Bank for Foreign Economic Affairs of the USSR*, 647 N.Y.S.2d 930, 1996 N.Y. Misc. LEXIS 350 (1996).

5. Matthew Goldstein, *Russian Bank Required to Pay Debt to U.S. Company*, THE MOSCOW TIMES, September 11, 1996, at 1.

6. Michael Specter, *Top Yeltsin Aide and Chechen Foes Sign a Peace Pact*, N.Y. TIMES, August 23, 1996, at A1.

7. Ian MacWilliam, *Combat Troops All Out of Chechnya*, THE MOSCOW TIMES, December 31, 1996.

8. *Id.*

9. A translation of this directive is available in the *Russia and Commonwealth Business Law Report*, LEXIS, INTLAW library, LRP file.

10. Instruction No. 43 was registered with the Russian Federation Ministry of Justice under No. 1148 on August 15, 1996.

11. The law "On excise tax" was effective as of March 7, 1996.

- Order No. 10 "On regulations for accounting" was enacted in February 1996. The Order contains the amended balance sheet and profit and loss contents for 1996 financial reporting.
- Russian Federation Decree No. 479, "On abolition of export duties, alteration of rates of excise tax on oil, and additional measures to ensure receipt of revenues into the Federal budget," April 1, 1996.
- Presidential Decree No. 685, published on May 23, 1996, deals with the changes to the taxation system and contains provisions for the accruals basis to be applied to sales and for profits tax to be applied from the earlier of two dates: (1) the date of receiving funds for the goods, (2) the date of shipping the goods.
- Presidential Edict No. 1212, "On measures for the improvement of tax collection and other obligatory payments and regulation of cash and non-cash currency circulation."
- Russian Federation State Customs Committee Order No. 526, "On amendments to the Russian Federation State Customs Committee Order No. 142 of March 15, 1996," Registered with the Russian Federation Ministry of Justice under No. 1169 on September 30, 1996.
- An updated Criminal Code for the Russian Federation will replace the RSFSR Criminal Code of 1960 beginning January 1, 1997.<sup>12</sup>
- On January 2, 1996, an interim agreement came into force between Russia and the European Union.
- On January 27, 1996, Russia was accepted into the Council of Europe by a vote of 164 to 35, with 15 abstentions.
- On March 29, 1996, an agreement was formalized to establish a customs union between Russia, Belarus, Kazakhstan, and the Kyrgyz Republic.
- On October 1, 1996, the General System of Preferences, which permits products to enter the United States duty-free, was reinstated. It is applicable to Russia, Ukraine, Kazakhstan, Belarus, Uzbekistan, Kyrgyzstan, Estonia, Latvia, Lithuania, and Armenia.

## II. Developments in Azerbaijan<sup>13</sup>

In 1991 the Supreme Soviet of the Azerbaijan Republic adopted the Declaration "On establishing the state independence of the Azerbaijan Republic" and the Constitutional Act "On the state independence of the Azerbaijan Republic," which proclaimed the Azerbaijan Republic a sovereign and independent state, determined economic and political relations, and served as the basis for the development of a new Constitution. The adoption of these acts signified the beginning of the construction of the new legislative base in Azerbaijan. The Supreme Soviet of the Azerbaijan Republic, in 1996, continued work to expand and strengthen the legislative base. The following legislation was adopted:

- "On state registration of legal entities."
- "On approval of the agreement 'On collaborating for the defense of author's rights and joint rights.'"

12. A summary of significant economic crimes covered by the updated code and the possible maximum sentences for the crimes is contained in *Russia and Commonwealth Business Law Report*, July 29, 1996, LEXIS, INTLAW library, LRP file.

13. The information in the section on developments in Azerbaijan was provided by Fuad Talyshinsky, an attorney in Azerbaijan, and S. Douglass Stinemetz, of PetroAlliance.

- "On cooperation."
- "On permission for the adoption, approval and realization of the agreement on exploration, mining and division of output from the perspective structure 'Karabakh' and the territory belonging to it in the Azerbaijan sector of the Caspian Sea between the State Oil Company of the Azerbaijan Republic and the companies LUKOIL International Ltd., AGIP Azerbaijan B.V., LUKAGIP N.V., PENZOIL, Caspian Development Corporation and the affiliated commercial companies of SOCAR."
- "On permitting individual labor disputes."
- "On the legal positions of victims of political repression."
- "On the rehabilitation of victims of political repression."
- "On changes to the Law of the Azerbaijan Republic 'On taxing the revenues of physical persons in the Azerbaijan Republic.' "
- "On inserting several additions to the Law of the Azerbaijan Republic 'On the State Tax Service.' "
- "On inserting additions and changes to the Law of the Azerbaijan Republic 'On excise taxes.' "
- "On individual labor disputes (contracts)."
- "On the mandatory insurance of the civic responsibility of owners of means of transport."
- "On the National Bank of the Azerbaijan Republic."
- "On banks and bank activity in the Azerbaijan Republic."
- "On land reform."
- "On changes to the Law of the Azerbaijan Republic 'On taxing the revenues of physical persons in the Azerbaijan Republic.' "
- "On registering auditors and auditing organizations in the Azerbaijan Republic."
- "On the audit chamber of the Azerbaijan Republic."
- "On inserting changes into the decrees of Mill Medzhlis of the Azerbaijan Republic of April 22, 1994, No. 800, on the approval of 'Procedures for licensing activities in the sphere of retail trade and public food.' "

#### A. DECREES OF THE MINISTRY OF FINANCE:

- "On the transfer of state enterprises (establishments) and management on the basis of contracts."
- "On the proper application of Article 2 of the Law of the Azerbaijan Republic 'On taxing profit and separate types of revenues of legal entities in the Azerbaijan Republic.' "
- "Provision on the procedures of licensing professional activity in securities and attesting associates of professional participants in the securities market."

#### B. DECREES OF THE NATIONAL BANK

- Certificate of implementation on the territory of the Azerbaijan Republic of the Law of the Azerbaijan Republic "On statistics" and inclusion in the State Register of Record Units of the Azerbaijan Republic.
- Decree "On procedures for opening expense and currency accounts by physical persons carrying out business activities without the creation of legal entities."
- Decree "On inserting changes in the instructions of the National Bank of June 27, 1995, No. 03-18/237 in connection with the insertion of changes in the decree of Mill Medzhlis

of March 28, 1995, 'On measures to stabilize monetary circulation in the Azerbaijan Republic.' "

### III. Developments in Kazakhstan

The Republic of Kazakhstan accounts for approximately fourteen percent of all of the foreign investment in the Former Soviet Union. However, much of Kazakhstan's financial future depends upon Russia. Russia, after all, has insisted on equity shares in oil and gas discoveries which were made prior to the collapse of the Soviet Union. Russia has both a geographical presence in the country and a Russian minority living in the wealthiest regions of the Kazakhstan.<sup>14</sup>

President Nursultan Nazarbayev, in an effort to steer Kazakhstan into its future as a "new Kuwait," while keeping opposing forces within the country at bay, has chosen to rule, for the most part, by decree.<sup>15</sup> His model for the country's development places the priority on economic growth rather than democratic rights.<sup>16</sup> Thus, Kazakhstan has moved rather rapidly toward a market economy.

The following represent some of the significant developments in Kazakhstan during 1996:

- Government Resolution No. 646, "On approval of the regulation on the competent agency of the Government of the Republic of Kazakhstan for concluding and executing contracts with subsoil users in the Republic of Kazakhstan," May 27, 1996.
- Government Resolution "On approval of regulations for the national patent agency of the Republic of Kazakhstan," March 6, 1996.
- Government Resolution No. 124, "On measures to support private entrepreneurship," January 30, 1996.
- Government Resolution No. 658, "On the attraction of consulting firms for the fulfillment of privatization projects on a case-by-case basis," May 12, 1996.
- Government Resolution No. 562, "On approval of regulations for evaluation of privatization items," May 6, 1996.
- Main Tax Inspectorate Letter No. 12-10-3-12/1710, "On the procedure for consideration of taxpayer's appeals by the MTI," April 1, 1996.
- Main Tax Inspectorate Letter No. 12-7-2/1618, "On the legitimacy of tax body inquiries," March 27, 1996.
- Main Tax Inspectorate Letter No. 12-9-1-7/2282, "On the Procedure for VAT Clearings in Relation to export goods," April 30, 1996.
- In February 1996 Kazakhstan formed a state-run agency to deal with companies that have gone bankrupt.
- In March 1996, Kazakhstan and Uzbekistan signed a five-year agreement to cooperate in preventing tax offenses that affect both countries.
- Pursuant to a presidential decree, the Ministry of Press and Mass Information was replaced, in January 1996, by the National Agency of the Press and Mass Media.
- In April 1996, Kazakhstan, Tajikistan, Kyrgyzstan, Russia, and China signed a peace treaty aimed at reducing armed forces and tensions in the region.

14. *Business Intelligence Report World of Information: Kazakhstan*, Janet Matthews Information Services, Quest Economics Database, Oct. 1996, available in LEXIS, WORLD Library, CURNEWS File.

15. *Id.*

16. *Id.*

- Law No. 6-1, "On copyright and related rights," adopted by Kazakhstan's Parliament on June 10, 1996.
- Law "On mineral resources" adopted by Presidential Decree No. 2828 of January 27, 1996, effective from January 29, 1996.
- On March 29, 1996, Kazakhstan, Belarus, Kyrgyzstan, and Russia formalized an agreement to form a customs union.
- On June 26, 1996, Kazakhstan's president signed into law the U.S.-Kazak Double Taxation Treaty. The treaty, however, is not yet in effect.

#### IV. Developments in Kyrgyzstan

Kyrgyzstan has often been cited as one of the most progressive of the Newly Independent States due to its relatively smooth economic transition, stable monetary policy, and ability to control inflation. In 1996, law reform continued to be a top priority of the Kyrgyz Republic. On June 1, 1996, Kyrgyzstan's new Civil Code (First Part) came into effect. The Code establishes basic civil-law institutions and provides general guidelines.<sup>17</sup>

#### V. Developments in Tajikistan

Political stability has, even five years after the collapse of the Soviet Union, evaded the Republic of Tajikistan. Confrontations between rebel forces from northern Afghanistan and government troops increased since the beginning of 1996. In July of 1996, a new round of peace talks commenced. Furthermore, since its independence, Tajikistan's economy has deteriorated and the civil war has slowed down reforms. The following developments occurred in Tajikistan in 1996:

- On December 23, 1996, Tajik President Imomali Rahmonov and Sayed Abdulllo Nuri, the leader of the Islamic-dominated United Tajik Opposition, signed a peace accord at their meeting in Moscow.<sup>18</sup>
- The International Monetary Fund granted US\$22 million to Tajikistan in May 1996.<sup>19</sup>
- The World Bank granted a loan of US\$5 million to assist in the process of privatization, modernization of the banking sector, and the reform of agricultural industries.<sup>20</sup>
- Presidential Edict No. 2727, "On the state registration of immovable property and of transactions therewith," approved on December 25, 1995, and effective on March 1, 1996.
- Presidential Edict No. 2723, "On the mortgage of immovable property," approved December 23, 1995, and effective January 1, 1996.

17. Temirbek Kenenbaev and Scott Horton, *The New Kyrgyz Civil Code: Another Milestone on the Road to a Market Economy*, EAST/WEST EXECUTIVE GUIDE, September 1, 1996. Information Access Company, Newsletter Database, WorldTrade Executives, Inc.

18. The peace agreement was broadcast, in Russian, on Tajik Radio on December 24, 1996. The translated text of the agreement is available in the BBC Summary of World Broadcasts, LEXIS, NEWS Library, CURNWS File.

19. *Business Intelligence Report World of Information: Tajikistan*, Janet Matthews Information Services, Quest Economics Database, Oct. 1996, available in LEXIS, WORLD Library, CURNEWS File.

20. *Id.*

## VI. Developments in Turkmenistan

The Republic of Turkmenistan currently has an established market in Western Europe for gas, holds eleven percent of the world's gas reserve, has territory that is as yet unexplored, and earns over US\$1 billion a year from energy exports. These factors place the country into a good position to become a "new sheikdom."<sup>21</sup> However, the country is not without its share of problems. The majority of consumer goods are in sparse supply and the availability of running water is restricted. Furthermore, President Saparmurat Niyazov<sup>22</sup> has a domineering style and has started on a spending spree to finance presidential palaces, railroads, and luxury hotels.<sup>23</sup> The following are some of the developments that have occurred in Turkmenistan in 1996:

- In early 1996, an agreement on the first joint venture in Turkmenistan was reached. The joint venture, GAP-Turkmen, has forty-nine percent of foreign capital and will build and equip textile factories.
- The Interbank Currency Exchange was reopened under measures introduced in February 1996.
- In April 1996, a single exchange rate, based upon the currency market rate, was introduced.
- In February 1996, Turkmenistan abolished restrictions on the level of foreign participation in joint ventures.
- Beginning in March 1996, all enterprises employing less than 50 people are to pay a flat thirty percent income tax rate.
- In May 1996, Turkmenistan, Afghanistan, Pakistan, and Uzbekistan signed a memorandum of understanding to construct a gas pipeline from Turkmenistan across Afghanistan to Pakistan.

## VII. Developments in Uzbekistan

Although most investors in the Central Asian countries have been interested in the oil and gas riches of Kazakhstan, Uzbekistan has much to offer investors. Uzbekistan is also rich in oil and gas and has significant deposits of, among others, silver, copper, lead, zinc, and coal. However, Uzbekistan has not moved particularly quickly to encourage foreign investment. The following are some significant recent developments in Uzbekistan:

- On October 21, 1996, a joint declaration was signed in Tashkent, Uzbekistan by the presidents of Kazakhstan, Kyrgyzstan, Uzbekistan, Azerbaijan, and Turkey. The declaration called for cooperation in cultural matters and expressed satisfaction with the development of relations between the countries.<sup>24</sup>
- On April 22, 1996, a Partnership and Cooperation Agreement was initiated between Uzbekistan and the European Union.

21. *Business Intelligence Report World of Information: Turkmenistan*, Janet Matthews Information Services, Quest Economics Database, Oct. 1996, available in LEXIS, WORLD Library, CURNWS File.

22. In typical central Asian fashion, President Saparmurat Niyazov won a unanimous "yes" vote in a referendum held on January 15, 1994, which extended his presidency until the year 2002.

23. *Business Intelligence Report World of Information: Turkmenistan*, *supra* note 21.

24. The translated text of the declaration is available in the *BBC Summary of World Broadcasts*, October 25, 1996, LEXIS, NEWS Library, CURNWS File. The translation is from the text published, in Russian, in "Narodnoye Slovo."



- Cabinet of Ministers Resolution No. 55, "On the order of establishment, state registration, and activity of enterprises with foreign investments, international organizations and their subdivisions," February 12, 1996.
- Law No. 218-1, "On the mechanisms for the functioning of the securities market," adopted on April 25, 1996, and effective on June 12, 1996.
- Presidential Decree "On additional measures to stimulate the creation and activities of enterprises with foreign investment," issued on May 31, 1996.

### VIII. Developments in Moldova<sup>25</sup>

The following are highlights of recent developments in Moldova:

- The government of Moldova, in compliance with the 1995 and 1996 Privatization Laws, has announced plans to offer, for public tender, controlling interests in forty-one leading Moldovan companies. Such companies include: SA Codru, SA Farmaco, SA Uzina Frigidere, SA Aviatechnologia, SA Covoare, and SA Palace. The Moldovan Government has stated that, subject to conditions regarding protection of the environment and public health and safety, it will accept the highest bid, without regard to whether the bidder is a domestic or foreign entity.
- As an outgrowth of the privatization process, new regulations were adopted in February of 1996 by the Moldovan Government, which will allow foreign entities which were successful in purchasing a controlling interest in privatized companies to also acquire land adjacent to the privatized companies. This measure is another step in the reform process in Moldova, which also included the set-up, last summer, of the country's first equity market.
- On February 8, 1996, the World Bank approved a twenty-year US\$35 million loan to the Moldovan Government regarding a program of restructuring of the nation's enterprise and bank sectors.
- On January 5, 1996, an interim agreement came into force between Moldova and the European Union.
- On February 16, 1996, the World Intellectual Property Organization announced that the Eurasian Patent Convention became effective in Moldova.
- As part of Title I "Food for Peace" program, the U.S. Department of Agriculture announced an allocation of US\$25 million to Moldova, Poland, and Angola. This program, which was substantially modified under the 1996 Federal Agriculture Improvement and Reform Act, is designed to enhance the export of U.S. agricultural commodities and support development in the contract countries. It should be noted that, for the first time, private entities are now allowed to participate in the program directly. Moldova, however, has still not signed a program with the United States under the Title I "Food for Progress" program, unlike Tajikistan, Georgia, and Kyrgyzstan.
- On June 10, 1996, Moldova signed an agreement with the U.S. Department of Agriculture. Under the agreement, US\$10 million in U.S. wheat will be sold at concessional rates to Moldova under the provisions of Title I of Public Law 480.

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25. The information in this section has been compiled by Eric C. Rose, Corporate Counsel for American Standard Companies.

- On June 3, 1996, President Clinton found Moldova to be in full compliance with the provisions of the Jackson-Vanik amendment of the 1974 Trade Act. Consequently, the president issued a determination which continued the extension of MFN treatment to Moldova.
- Moldenagro and Moldovagas, two state-owned energy firms, have received US\$10 million loan from the World Bank destined to underwrite fifty percent of the cost of a modernization program undertaken by the two state energy companies. This project is part of Moldova's efforts to reform the energy sector with an eye towards its possible privatization before the end of the century.

## IX. Developments in Ukraine

In 1991 the Ukraine gained its independence from the Former Soviet Union. However, since then, its existence has been heavily intertwined with, and strongly influenced by, Russia. Furthermore, Ukraine continues to have to deal with internal political battles between President Leonid Kuchma and the anti-socioeconomic reform forces in Parliament.<sup>26</sup> As a result, there has been no new Constitution for the country. Moreover, there has been an absence of substantial economic reforms. The following are some significant developments in 1996:

- On January 2, 1996, an interim agreement came into force between Ukraine and the European Union.
- In February 1996, the Ukrainian Parliament ratified a free trade agreement, lifting all barriers, with Estonia.
- Law No. 379/96-UR amending the law "On land payments," effective January 1, 1997.
- Order No. 329 issued on August 2, 1996, regarding the procedure for certifying the products of foreign producers with regard to quality.
- Cabinet of Ministers Resolution No. 937 issued on August 7, 1996. This Resolution requires foreign investors who are importing property for in-kind contribution to the charter capital of a Ukrainian enterprise to sign a promissory note for the amount of customs duties owed.
- Cabinet of Ministers Decree No. 928 issued on August 7, 1996, regarding new procedures for registering foreign investment.
- Law No. 236/96-UR, "On protection from unfair competition," June 7, 1996, and effective January 1, 1997.<sup>27</sup>
- Law No. 93/96-UR, "On the regime of foreign investment," signed by President Leonid Kuchman on March 19, 1996.<sup>28</sup>

## X. Developments in Armenia

- On April 22, 1996, a Partnership and Cooperation Agreement was signed by Armenia and the European Union.

26. *Business Intelligence Report World of Information: Ukraine*, Janet Matthews Information Services, Quest Economics Database, available in LEXIS, WORLD Library, CURNWS File.

27. The translated text of Law No. 236/96-UR is available in the *Russia and the Commonwealth Business Law Report*, August 12, 1996.

28. The translated text is available in *id.*, July 29, 1996.

## XI. Developments in Belarus

The following constitutes some of the recent developments in Belarus:

- The single most important occurrence of the past year in Belarus was the constitutional referendum held on November 24, 1996. As a result of the referendum, the legality of which is extremely suspect, President Alexander Lukashenko gained nearly unlimited power at the expense of the legislature's power.<sup>29</sup>
- On March 29, 1996, Belarus, Russia, Kazakstan, and Kyrgyzstan signed an Economic Union treaty.
- On March 25, 1996, Belarus and the European Union signed an interim agreement.

## XII. Developments in Georgia

- On April 22, 1996, a Partnership and Cooperation Agreement was signed by Georgia and the European Union.
- On October 5, 1996, an interim agreement was signed by Georgia and the European Union.

## XIII. Developments in the Baltics

In addition to several agreements mentioned above in which the Baltics participated, the following are some recent developments:

- In early November 1996 Latvia enacted a law which established a free trade zone in Riga, the country's capital.
- On June 16, 1996, the Prime Ministers of Latvia, Estonia, and Lithuania signed an agreement on free trade in agriculture.

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29. Matthew Brzezinski, *Belarus Turmoil May Spill Over Borders*, WALL ST. J., December 3, 1996, at A18.

